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ABSTRACT

The New York State Comptroller's Office conducted an audit of Tuition Assistance Program (TAP) awards certified by Bramson ORT Technical Institute (BOTI) for the 1990-91 academic year, and performed a limited review of the Higher Education Services Corporation's (HESC's) records for the 1987-88 and 1989-90 academic years to detect errors or inconsistencies in BOTI's certifications of student eligibility for TAP. The Comptroller's Office determined that BOTI was overpaid $1,018,641 because it incorrectly certified students as eligible for TAP awards. BOTI has 16 TAP-eligible degree and certificate programs, and received 908 TAP awards totaling $1,311,985 on behalf of 563 students in the 1990-91 academic year. Of the 150 TAP awards (totaling $218,675) examined during the audit, 120 (totaling $168,688) were disallowed because students were not pursuing the program of study for which they enrolled, not taking the required credit-bearing courses, or repeating courses they had already passed and using the repeated hours to qualify for full-time status, among other reasons. The comptroller's report provides an introductory summary; background information on BOTI, TAP, and HESC; results of the audit; a detailed list of audit disallowances; and information on other matters needing attention and rectification. The report concludes by recommending that: (1) the HESC recover the amount it overpaid BOTI and ensure that BOTI processes its student refunds promptly and uses proper codes when certifying students; and (2) the State Education Department ensure that BOTI seeks approval for its unauthorized extension centers and complies with state regulations. (MAB)

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Bramson ORT Technical Institute.

Report 92-T-6

by
Roland M. Malan

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April 30, 1993

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STATE OF NEW YORK
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EDWARD V. REGAN
STATE COMPTROLLER

DIVISION OF MANAGEMENT AUDIT
AND FINANCIAL REPORTING

April 30, 1993

The Honorable Thomas Sobol
Commissioner
State Education Department
Education Building
Albany, NY 12234

The Honorable Cornelius J. Foley
President
Higher Education Services Corporation
99 Washington Avenue
Albany, NY 12255

Re: Bramson ORT Technical Institute
Report 92-T-6

Dear Commissioner Sobol and President Foley:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution, Section 8, Article 2 of the State Finance Law and a Memorandum of Agreement dated December 1, 1989 acknowledged by the State Comptroller, the Commissioner of Education, the President of the Higher Education Services Corporation (HESC), and the Director of the Budget, we audited the Tuition Assistance Program (TAP) awards certified by Bramson ORT Technical Institute (Bramson) for the 1990-91 academic year. In addition, we performed a limited review of HESC's records for the 1987-88 through 1989-90 academic years to detect certain errors or inconsistencies in Bramson's certifications of student eligibility for TAP.

In accordance with Section 665(3)(b) of the Education Law, we have determined that Bramson was overpaid $1,018,641 because it incorrectly certified students as eligible for TAP awards. As a result Bramson must refund the $1,018,641 overpayment plus applicable interest to the State.

The objective of our financial and compliance audit was to determine whether Bramson's management complied with appropriate laws and regulations for certifying students as eligible for TAP awards. The scope of our audit did not include reviewing the records and procedures of HESC as they relate to determining the amount of the awards.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of Bramson which are included within our audit scope. Further, these standards require that we review and report on Bramson's internal control structure and its

compliance with those laws, rules and regulations that are relevant to Bramson's operations which are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting records and applying such other auditing procedures as we considered necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

In planning and performing our audit of Bramson we considered Bramson's internal control structure when determining our auditing procedures. Our consideration was limited to a survey of the internal control structure to obtain an understanding of the control environment and the flow of transactions through the accounting system and other systems supporting the certifications for student financial aid. Because we did not intend to rely on the internal control structure, our assessment did not extend beyond the survey phase. Instead, we appropriately extended our substantive audit tests.

Bramson management is responsible for complying with laws and regulations. In connection with our audit, we performed tests of compliance with certain provisions of laws, rules, and regulations. However, our objective in performing these tests was to obtain reasonable assurance that the funds Bramson received from HESC were allowable and not to provide an opinion on Bramson's overall compliance with such provisions.

The results of our tests of transactions indicated that for the transactions and records tested, Bramson was not in substantial compliance with the applicable laws and regulations, as noted in Section B of this report.

This report was prepared under the direction of David R. Hancox, Director of State Audits, and Kenneth J. Shulman, Audit Supervisor. Major contributors were Anna Leung, Auditor in Charge, Legendre Ambrose and Adrian Wiseman, Staff Auditors.

A. Background

Bramson, located in Forest Hills, NY, offers various programs leading to two-year degrees, certificates or diplomas. Bramson also offers courses at five extension locations: Brighton, Broadway, Bronx, Flatbush, and Inwood. SED has approved various programs at Bramson. These include business management, business administration, computer programming, electronics technology, ophthalmic technology, secretarial practices and accounting. Bramson's sixteen degree and certificate programs are TAP eligible, while its diploma programs are not TAP eligible.

TAP is the largest of the student grant and scholarship programs administered by the HESC. It is an entitlement program designed to provide tuition aid to eligible full-time students who are enrolled in a variety of programs. According to HESC records, Bramson received 908 TAP awards totaling $1,311,985 on behalf of 563 students in the 1990-91 TAP academic year. We audited a statistical sample of the school's records supporting 150 awards totaling $218,675 for 136 students that Bramson officials certified as eligible for the 1990-91 academic year. Also, we reviewed specific TAP awards for the three academic years ended June 30, 1990 which HESC records identified as containing certain errors or inconsistencies in Bramson's certifications of student eligibility.

Draft copies of this report were provided to Bramson, HESC and SED officials for their review and comments. Bramson officials disagreed with most of our audit findings. We have included their comments in the body of this report, where appropriate. HESC and SED officials agreed with our findings.

B. Results of Audit

Based on our audit of 150 sampled awards for the 1990-91 academic year, we disallowed 120 awards totaling $168,688. A statistical projection of our audit disallowance to the entire population results in a disallowance of $947,932. In addition, we disallowed 58 awards totaling $70,709 as a result of our limited review of the 1987-88 through 1989-90 years. Therefore, we determined Bramson was overpaid a total of $1,018,641 in TAP awards. We recommend that HESC recover this amount from Bramson.

We found that Bramson officials certified for TAP awards students who were not pursuing the program of study for which they enrolled and not taking the required credit-bearing courses. Further, some students were repeating courses they had already passed and using the repeated hours to qualify for full-time status. As a result, these students did not meet the TAP certification criteria related to matriculation, full-time status, good academic standing and accelerated summer payments. We also found that TAP was awarded inappropriately to students who:

- did not meet the residency requirement; and
- enrolled in programs after registration had ended.

We also found that TAP awards were not always credited to students' accounts and that tuition liability was sometimes overstated. In addition, we noted other instances of noncompliance with the Education Law which did not result in TAP disallowances, but should be addressed by Bramson management.

1. Audit Disallowances

The following table summarizes the disallowances that resulted from our audit.

Reason for Disallowance	Number of Awards	Amount	
1990-91 Sample Disallowance			
Not Matriculated	111	$158,145	
Not Full-Time	70	120,146	
Not in Good Academic Standing:			
Unsatisfactory Academic Progress	30	44,115	
Non-Pursuit of Program	46	69,065	
Not Eligible for Accelerated Summer Payment	41	34,657	
Not Meeting Residency Requirement	13	14,810	
TAP Not Posted	6	7,252	
TAP Exceeds Tuition Liability	3	1,578	
Enrolled After Registration Period	1	713	
Total 1990-91 Disallowance	321	450,481	
Less Disallowance for More Than One Reason	201	281,793	
Net Disallowance for 1990-91	120	$168,688	
Projected Disallowance			$ 947,932
Disallowances For Years Other Than 1990-91			
Not Matriculated	41	$56,596	
Not Full-Time	35	51,202	
Not in Good Academic Standing:			
Unsatisfactory Academic Progress	10	14,484	
Non-Pursuit of Program	17	24,760	
Not Eligible for Accelerated Summer Payment	15	9,668	
Total Disallowance Other Than 1990-91	118	156,710	
Less Disallowance for More Than One Reason	60	86,001	
Net Disallowance Other Than 1990-91	58		70,709
Total Disallowances			$1,018,641

Detailed listings of students' names, social security numbers, terms and dollar amounts were provided to Bramson officials separately. A description of the various disallowances is included in the following paragraphs.

a. Not Matriculated

Section 661 of the Education Law (Law) states that a student must be matriculated in an approved program for financial aid awards eligibility. Section 145-2.4 of the Commissioner's Regulations (Regulations) states one criterion for matriculation is the following: in accepting the student's application for enrollment, the institution has taken into account the capacity of the student to undertake a course of study and its own capacity to provide instructional and other support the student needs to complete the program. SED's CEO Bulletin #84-7, dated July 1984, further states that if an institution requires a student to have a high school diploma in order for the student to be recognized as a candidate for a degree, certificate or diploma, a student without a high school diploma would not satisfy the criteria for matriculation for State financial aid purposes. Also, to be matriculated for State student financial aid purposes, a student must take courses – credit-bearing or a combination of credit-bearing and non-credit remedial courses – which are recognized by the institution in the term taken as contributing toward completion of a program of study.

We found that 111 sampled TAP awards were for students who were not matriculated. Some students were taking courses which were inconsistent with the requirements of the approved program and therefore did not contribute to completion of their program of study. These TAP awards totaling $158,145 are disallowed. We also identified 41 awards not in our statistical sample and totaling $56,596 which are also disallowed because the students were not matriculated.

Bramson officials maintain that most of our disallowances involve students who they feel are educationally disadvantaged and who would qualify for STAP awards. To qualify as educationally disadvantaged, the students must not have been eligible for admission under the college's normal admission standards. However, we found the students involved were admitted to the school through normal admission standards. Bramson officials further maintain that the test they use to determine placement in English as a Second Language courses is a means for determining whether a student is educationally disadvantaged. However, this test is given after a student is admitted and is not part of Bramson's admission procedures. Therefore, Bramson cannot use this test as a basis to retroactively decide that these students were educationally disadvantaged and eligible for STAP. Furthermore, Bramson has never certified students for STAP in previous years.

b. Not Full-Time

Section 661 of the Law states that a student must be in full-time attendance, as defined by the Commissioner of Education, to be eligible for financial aid awards. Section 145-2.1 of the Regulations states that courses not recommended or required by the school as an integral part of the student's program shall not contribute to full-time study. Full-time study is defined as enrollment for at least 12 semester hours for a semester of 15 weeks or more. For TAP eligibility, a student enrolling in a full-time program that includes noncredit remedial courses must enroll in at least three credit hours for the first semester, and at least six credit hours for each semester thereafter. Also, SED's CEO Bulletin #86-17 states that if a student repeats a course which he or she has already passed, the course cannot be included as part of the student's minimum full-time course load for financial aid purposes.

We found that 70 sampled TAP awards were for students who were taking to many remedial courses, taking to many liberal arts courses, and repeating courses in which a passing grade had been earned previously. These students were not full-time. Therefore, we disallowed these TAP awards totaling $120,146. We also identified 35 awards outside our statistical sample totaling $51,202 which are also disallowed because the students were not in full-time attendance.

Bramson officials maintain that most of our disallowances involve students who they feel are educationally disadvantaged and who would qualify for STAP awards. However, as noted previously, Bramson does not have a basis for retroactively determining that these students were eligible for STAP. Furthermore, Bramson officials stated that repeating passed courses, and taking liberal arts courses beyond the required number for the program, should count toward full-time status as these students may not have obtained a "complete mastery" of the subject initially. We disagree. SED's directives do not allow these courses to count toward full-time status.

c. Not In Good Academic Standing

Section 665 of the Law requires that payment of student financial assistance be suspended for any student who loses good academic standing. Section 145-2.2 of the Regulations states that to maintain good academic standing a student must (1) make satisfactory academic progress towards completion of program and (2) pursue the program of study in which he or she is enrolled. In order to meet the criterion of satisfactory academic progress, a student must have accrued at least a certain number of credits with at least a certain cumulative grade point average as outlined in the "Standard of Satisfactory Academic Progress For Purpose of Determining Eligibility For State Student Aid" chart, as approved by SED. A student is considered to be pursuing the approved program of study if, during each term of study for which an award is received, the student receives a passing or failing grade in at least a certain percentage of the minimum amount of study required to constitute full-time or part-time study, whichever is applicable. When a student fails to maintain good academic standing, the student loses prospective TAP eligibility. A student may regain such standing either by using the one-time waiver, making up the deficiency at his own expense, or remaining out of school for one year.

We found students in our sample who failed to retain good academic standing and were ineligible to receive TAP funds as follows:

(1) Unsatisfactory Academic Progress

Bramson officials incorrectly certified 30 sampled TAP awards for students who did not accrue the required minimum number of credits. The students were taking courses which do not contribute to the academic progress towards completion of the program.

The TAP awards for these students, totaling $44,115, are disallowed. We also identified 10 awards outside our statistical sample totaling $14,484 which are also disallowed on this basis.

(2) Non-Pursuit of Program

Bramson officials incorrectly certified 46 sampled TAP awards because:

- Students were taking courses which were not contributing towards the pursuit of the program of study in which they were enrolled; and

- One student was not taking a course load sufficient to meet the pursuit of program requirement. This student had achieved only a 50 percent pursuit level, when a 75 percent level was required.

Consequently, these TAP awards totaling $69,065 are disallowed. We also identified 17 awards totaling $24,760 which were not in our statistical sample and are also disallowed for non-pursuit of program.

d. Not Eligible For Summer Payment

Section 665(2) of the Law authorizes TAP awards for accelerated summer study if the student enrolls either full-time or part-time. Part-time study means enrollment for six to eleven semester hours for a semester of not less than 15 weeks. A student enrolled in a part-time program that includes noncredit remedial courses must carry at least three semester (credit) hours a semester. Courses not recommended or required by the school as an integral part of the student's program do not contribute to full-time or part-time study.

Section 145-2.9 of the Regulations states that to be eligible to receive payment for summer study, a student must be full-time and matriculated in an approved program during the regular academic year. An SED Statewide Conference Summary, dated March 1983, further explains that a student must be registered full time in the prior spring or following fall term. For summer terms beginning July 1, 1989 and later, a student attending full-time is eligible for a TAP award regardless of whether he attended school the prior spring or subsequent fall term.

We found that 41 sampled TAP awards were for students not eligible for accelerated summer payments because:

- Students were taking courses which did not meet the criteria for either full-time or part-time (summer term) study; and

- Students were not enrolled for the minimum required semester hours.

These TAP awards totaling $34,657 are disallowed. We also identified two awards not in our statistical sample and totaling $1,255 which we also disallowed.

In our limited review of HESC records for the 1987-88 through 1989-90 academic years, we also found that for 13 of 16 summer only awards, the students were not certified for TAP in the prior spring or subsequent fall terms. These awards totaling $8,413 are disallowed. The total disallowance from all years outside our sample year is 15 awards totaling $9,668.

e. Not Meeting Residency Requirement

Section 661 of the Law states "...an applicant for an award at the undergraduate level of study must...have been a legal resident of the state for at least one year immediately preceding the beginning of the semester, quarter or term of attendance for which application for assistance is made...."

Bramson officials certified 13 sample TAP awards for students who did not meet the residency requirement. The students were not legal residents of New York State for at least one year prior to the term for which financial aid was paid. Consequently, their TAP awards totaling $14,810 are disallowed.

f. TAP Not Posted

Section 2205.3(e) of the Regulations requires that each student account be credited within seven days after receipt of a finalized award. Bramson received six sample TAP awards totaling $7,252 that were not credited to the students' accounts. Since Bramson officials did not properly distribute the funds so that the students could benefit from the TAP awards, the amount not credited is disallowed.

g. TAP Exceeded Tuition Liability

Section 667 of the Law states that a TAP award cannot exceed the tuition liability. Bramson officials overstated the tuition liability in certifying certain students for TAP. This occurred because Bramson officials incorrectly certified students for a full TAP award in a term when students withdrew from one or more courses within the refund period. We disallowed three sample awards totaling $1,578.

h. Enrolled After Registration Period

Bramson's student handbook indicates late registration ends at the end of the second week of classes. Bramson officials enrolled and charged tuition for one student who registered for the sample term after the registration period. The term started on May 21, 1990. The student registered for one course on June 27, 1990 and added a second course on July 9, 1990. The student would not have received the required instructional hours for the course. The TAP award of $713 is disallowed.

2. Other Matters Need Attention

a. Refunds

Section 53.3(c) of the Regulations indicate that the institution shall state its policy concerning refunds due to failure of students to complete an academic term. Bramson's school catalog specifies that students are entitled to tuition refunds when they withdraw within the first four weeks of the term (three weeks for the summer term). We identified seven students in our sample who were due refunds totaling $2,158. They withdrew during the refund period but were not credited with the tuition adjustments or registered after the registration period.

Further, at the time of our field work, nine of the students within our sample had accounts with credit balances totaling $5,201. Bramson should pay all refunds.

b. Unapproved Extension Centers

Section 54.1[4][c] of the Regulations states that no institution shall continue to operate an extension center, unless the institution has applied for and obtained specific approval of the commissioner to operate. Section 50.1[s] of the Regulations defines an extension center as an unit of an institution located at a place other than the institution's principal center. It may also

be another degree-granting institution, at which there are no curricula leading to a certificate or degree, but at which the institution either conducts more than 15 courses for credit or more than 350 course registrations for credit in any academic year.

Bramson's summary of extension site registrations for the 1990-91 academic year reported 532 and 991 course registrations for credit at the Broadway and Flatbush locations, respectively, resulting in these two locations being extension centers. On February 1, 1990, Bramson officials applied for extension center status for these locations. On August 7, 1990, SED notified Bramson that additional information was required to be submitted with the request. On March 28, 1991, Bramson officials submitted a second request for extension center status for these locations. However, there was no documentation that the additional information requested by SED was submitted with the second request. To date, Bramson has not obtained SED's approval to operate extension centers.

c. Students Were Awarded Certificate or Diploma Without Meeting All the Course Requirements

Section 53.3(d)(2) of the Regulations requires that each degree, certificate or diploma program shall be described in the catalog in terms of both prerequisites and requirements for completion. Bramson's catalog lists the specific courses required to be satisfactorily completed for students to be granted a diploma, certificate or degree. Of the 136 students reviewed in our 1990-91 sample, nine received a certificate or diploma. Seven of the nine students did not meet all the course requirements for the certificate or diploma. Bramson officials stated that these students took authorized substitute courses. However, there is no indication in the catalog of approved substitutes for specific courses.

SED should review Bramson's procedures for substituting courses to ensure that substitutes meet the program objectives.

d. Certification Codes Were Not Accurate

HESC's Policy & Procedures manual states that the educational institution is responsible for the accuracy of information provided to HESC concerning an applicant's fulfilling the eligibility criteria. HESC also lists the specific certification codes the institution should use to record the student's status.

Bramson is not correctly coding its TAP certifications. Our analysis of HESC records for the academic years 1986-87 through 1989-90 indicated that no student during this period was certified as "withdrawn with tuition liability" and none were decertified as not having met the good academic standing requirement. Bramson officials indicated that the school uses the code "not registered" to decertify students, regardless of the reason for decertification. It uses the code "eligible" to certify students even if they withdrew with tuition liability.

e. Lack of Information in School Records

(1) Student Graduation and Retention Data Is Not Published in Catalog

Section 53.3 [d][6] of the Regulations requires that information on student retention and graduation rates shall be provided for students and prospective students. Section 53.4 of the Regulations states that this information shall be included in the catalog or bulletin of the

institution. Bramson officials did not publish this information in the school catalog. Bramson officials must add the student graduation and retention data to the school catalog.

(2) Some Application For Admission Forms Not Complete

Our review of the 136 sampled student records indicated the information on the application for admission forms are not always completed. Although high school graduation is one of the admission requirements, this information is periodically omitted or only partially completed on the applications. Bramson officials must ensure that the application for admission forms are completed to ensure that the student is eligible for TAP.

Recommendations

The Higher Education Services Corporation

1. *Recover $1,018,641, plus applicable interest, from Bramson ORT Technical Institute for its incorrect TAP certifications.*

2. *Ensure that Bramson ORT processes its student refunds promptly.*

3. *Ensure that Bramson ORT uses proper codes when certifying/decertifying students for TAP.*

The State Education Department

1. *Ensure that Bramson ORT seeks approval for its unauthorized extension centers.*

2. *Ensure that Bramson ORT is in compliance with SED Regulations as they pertain to the other educational issues as stated in this report.*

We wish to express our appreciation to the management and staff of Bramson ORT Technical Institute for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

Roland M. Malan
Assistant Deputy Comptroller

cc: Seymour Foreman
Patrick Bulgaro